

18 November 2022

Northamber PLC
(the “Company” or the “Group”)

Preliminary Results for the year ended 30 June 2022

Chairman’s Statement

Results

We are pleased to share that we have continued to grow revenue year on year by 10.4% from £60.01m to £66.26m whilst maintaining gross margins at 12.8% (13.0% prior year) despite challenging and very dynamic market conditions. This served to generate a continued increase in gross margins of £0.66m year on year to £8.47m and reflected our continued focus on evolving our product mix towards higher margin, more technical products through Northamber and AVM. The trend of this growth can be better seen when comparing results to even the year prior to that (June 2020) which had revenue of £52.8m and Gross Margins were £5.48m, albeit AVM was acquired early in the second half of that year.

Despite pleasing sales and gross margin growth for the year, performance in some of our focus areas remained impacted by the gradual recovery from Covid with continuing uncertainty for resuming events and large venue installations, as well as market disruptions from rapid changes in Sterling, particularly against the US Dollar. We remain optimistic and confident in these focus areas and believe that we can deliver significant long term value and growth in these segments for our partners and shareholders.

Distribution costs increased significantly from £4.59m to £5.56m as we continued to invest in developing the team for our significant growth ambitions. We were also affected by significant increases year on year on carriage costs (our biggest non-payroll cost).

The fall in the value of Sterling translated into a swing from a foreign exchange profit of £223k in 2021 to a loss of £164k in 2022, which was the main driver in increased administration costs from £2.84m to £3.36m.

It is frustrating that factors over which we have no control have led to increases in distribution and administration costs, which have outweighed the margin growth. The impact of carriage costs and a weaker Sterling, totalling approximately £0.30m, resulted in a reduction of EBITDA year on year to a loss of £75k and an operating loss for the year of £0.45m versus a profit of £0.38m last year.

We feel strongly, however, that to drive significant long term profitable growth it is important that we continue to invest for the future, albeit these investments are measured against the ability to generate value.

Financial position

We made a deliberate decision to profitably support our partners by maintaining sufficient stock in country during the uncertainty of chip shortages together with continued impact on supply chains of Brexit, the war in Ukraine and COVID. As a consequence, stock levels increased from £8.5 million in 2021 to £10.6 million at 30 June 2022. This investment in inventory meant that cash reserves fell from £7.45m at 30 June 2021 to £4.70m. With Fixed Assets at book value at £6.92m, including three unencumbered freehold properties, the Group’s overall financial position is very sound. Net Assets at 89.8p per share are considerably in excess of the average price of the ordinary shares throughout the period.

Since the end of the financial year, the Board took the decision to relocate AVM into existing premises and to sell the freehold office where they are based. The Company has exchanged contracts for the sale of the office and completion is scheduled to occur on 28 November 2022. The consideration will be

£1.48m, before costs, payable in cash, against a net book value of £1.43m. The net proceeds will be added to our cash reserves.

Board changes

In July 2022, Peter Dosanjh joined the Board as a director. Peter has over 25 years' experience within B2B AV and IT hardware resellers alongside AV distribution.

Geoff Walters is to stand down as a non-executive director with effect from 31 December 2022 and will not stand for re-election at this year's AGM. Geoff joined the Board in February 2016 and the Board is grateful for his contribution during this period and we wish him well for the future.

Dividend

As in previous years, your Board has had regard to the strength of our debt free, tangible asset strong balance sheet and is proposing the interim dividend be 0.3p, at a total cost of £81,695. The dividend will be paid on 18 January 2023 to shareholders on the register as at 16 December 2022.

Staff

Our staff remain a key asset for the business and an area we continue to invest in. The team has continued to work hard to support our partners and each other. Our plans remain to continue to invest in our evolving business model by continuing to invest in building out the best team in the market to achieve our business evolution.

Outlook

In keeping with prior outlooks that we shared, we remain cautiously optimistic that the investments we have made in supporting our partners will allow us to continue to drive growth of strategic business units. We have yet to fully benefit from these investments, given the ongoing impact of COVID, forex movements and supply chain issues which together with wider economic uncertainty due to rising interest rates, inflation and subsequent cost of living impacts, necessarily mean we must remain cautious about the near term. We do feel strongly, however, that our continued focus on strategic higher margin value categories provides a solid road map for the future with profitable growth opportunities and the ability to unlock long term value for shareholders. The strength of our balance sheet allows us to continue to do what is best for the business strategically and we continue to review organic and non-organic opportunities for growth which meet our strict criteria and add value for our shareholders.

C.M. Thompson Chairman

18 November 2022

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Notes	2022 £'000	2021 £'000
Revenue	3	66,260	60,009
Cost of sales		(57,791)	(52,200)
Gross Profit		8,469	7,809
Distribution costs		(5,556)	(4,595)
Administrative costs		(3,365)	(2,837)
Operating (Loss)/ profit	4	(452)	377
Finance income		5	8
Finance cost		-	-
(Loss)/Profit before tax		(447)	385
Tax charge	6	-	(48)
(Loss)/Profit for the year and total comprehensive income attributable to the owners		(447)	337
Basic and diluted (Loss)/ profit per ordinary share	8	(1.64) p	1.24p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	2022 £'000	2021 £'000
Non current assets		
Property, plant and equipment	6,919	7,079
Goodwill and intangible assets	1,309	1,365
	<u>8,228</u>	<u>8,444</u>
Current assets		
Inventories	10,649	8,468
Trade and other receivables	11,245	10,753
Cash and cash equivalents	4,696	7,449
	<u>26,590</u>	<u>26,670</u>
Total assets	<u>34,818</u>	<u>35,114</u>
Current liabilities		
Trade and other payables	(10,329)	(9,866)
Corporation tax payable	(38)	(159)
	<u>(10,367)</u>	<u>(10,025)</u>
Total liabilities	<u>(10,367)</u>	<u>(10,025)</u>
Net assets	<u>24,451</u>	<u>25,089</u>
Equity		
Share capital	272	272
Share premium account	5,734	5,734
Capital redemption reserve	1,514	1,514
Retained earnings	16,931	17,569
	<u>24,451</u>	<u>25,089</u>
Equity shareholders' funds attributable to the owners of the parent	<u>24,451</u>	<u>25,089</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

At 30 June 2022

	Share Capital	Share Premium Account	Capital Redemption Reserve	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2020	272	5,734	1,514	17,395	24,915
Dividends	-	-	-	(163)	(163)
Transactions with owners	-	-	-	(163)	(163)
Loss and total comprehensive income for the year	-	-	-	337	337
Balance at 30 June 2021	272	5,734	1,514	17,569	25,089
Dividends	-	-	-	(191)	(191)
Transactions with owners	-	-	-	(191)	(191)
Profit and total comprehensive income for the year	-	-	-	(447)	(447)
Balance at 30 June 2022	<u>272</u>	<u>5,734</u>	<u>1,514</u>	<u>16,931</u>	<u>24,451</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	2022 £'000	2021 £'000
Cash flows from operating activities		
Operating profit from continuing operations	(452)	377
Depreciation of property, plant and equipment	336	350
Amortisation of intangible assets	56	56
Profit on disposal of property, plant and equipment	(15)	(13)
Operating Profit/ (loss) before changes in working capital	<u>(75)</u>	<u>770</u>
(Increase) in inventories	(2,181)	(2,520)
(Increase)/decrease in trade and other receivables	(492)	(3,003)
Increase/(decrease) in trade and other payables	463	2,923
Cash used in operations	<u>(2,285)</u>	<u>(1,830)</u>
Income taxes paid	(120)	(1,302)
Net cash used in operating activities	<u>(2,405)</u>	<u>(3,132)</u>
Cash flows from investing activities		
Interest received	5	8
Proceeds from disposal of property	60	17
Purchase of property, plant and equipment	(222)	(249)
Purchase of AVM Limited	-	-
Net cash (used in)/generated from investing activities	<u>(157)</u>	<u>(224)</u>
Cash flows from financing activities		
Dividends paid to equity shareholders	(191)	(163)
Interest paid	-	-
Purchase of cancellation of shares	-	-
Net cash used in financing activities	<u>(191)</u>	<u>(163)</u>
Net (decrease)/increase in cash and cash equivalents	(2,753)	(3,519)
Cash and cash equivalents at beginning of year	7,449	10,968
Cash and cash equivalents at end of year	<u>4,696</u>	<u>7,449</u>

Notes

1. Financial information

This financial information is consistent with the consolidated financial statements of the group for the year ended 30 June 2022. The group's consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial information set out above does not constitute the group's statutory accounts for the years ended 30 June 2021 or 30 June 2022 but is derived from those accounts. The statutory accounts for the year ended 30 June 2021 have been delivered to the Registrar of Companies and those for 2022 will be delivered following the group's annual general meeting. The auditor's report on the 2022 accounts will be unqualified, will not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports, and will not contain statements under s.498(2) or (3) of the Companies Act 2006. The information contained in this statement does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

2. Revenue

Although the sales of the group are predominantly to the UK there are sales to other countries and the following table sets out the split of the sales for the year. Revenue is attributed to individual countries based on the location of the customer. There are no non-current assets outside the UK.

Revenues comprise:	2022	2021
	£'000	£'000
Revenue from contracts with customers - UK	65,602	59,137
-other	658	872
	<u>66,260</u>	<u>60,009</u>

No customer accounted for more than 10% of the group's revenue for the year.

3. Profit per ordinary share

The calculation of the basic and diluted earnings per share is based on the following data:

	2022	2021
	£'000	£'000
(Loss)/Profit for the year attributable to equity holders of the parent company	<u>(447)</u>	<u>337</u>
Number of shares	2022	2021
	Number	Number
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>27,231,586</u>	<u>27,231,586</u>

4. Dividends

A final dividend of 0.3p per share will be paid on 18 January 2023 to those members on the register at close of business on 16 December 2022.

5. Notice of meeting

The annual report and accounts for the year ended 30 June 2022 will be posted to shareholders in due course and the Annual General Meeting will be held on 21 December 2022.

The Company's registered office is Namber House, 23 Davis Road, Chessington, Surrey, KT9 1HS.